

Developing a Small Business Health Options Program (SHOP)

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Presented to
Virginia Health Reform Initiative Advisory Council
June 13, 2012

Overview

- What is the SHOP
- Advisory council guidance
- Consumer tools
- Tax credits
- Review of prior advisory council decisions
- Employee choice and alternative models
- Role of agents and brokers

What is the Small Business Health Options Program (SHOP)

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- New health insurance marketplace for small businesses (2-50 employees)
- Offers employers and employees choices among multiple insurers and products
- Web-based with consumer tools to better understand and compare choices
- Streamlined administration through single purchase point (employer gets single bill)
- Agents and brokers can play a leadership role
- Tax credits available to many employers

Advisory Council Guidance from 2010 Report

- Provide employers with an opportunity to be successful financially while providing affordable health insurance to their workers
- Provide a marketplace that facilitates the transformation of the delivery system to produce more value per dollar spent, by focusing on quality and transparency
- The HBE should help educate employees and employers through a user-friendly website
- A goal of the exchange should be to maximize choice, innovation, and the number of competing qualified health plans and effective competition with transparency regarding cost and quality in driving consumer decision making
- Above all, remember to keep it simple, so that employers and average citizens can understand how to use and benefit from the HBE marketplace

Consumer Tools

- SHOP is consumer friendly for both employers and employees
- Employer makes a few basic decisions (employer contribution and degree of employee choice) typically with advice from agent or broker
- Exchange streamlines administration, including sending employer one bill (premium aggregation)
- Employee compares plans on coverage, quality and net cost with help of premium calculator, toll free hotline
- Amazon-like website makes it easy to move quickly to purchase (most people) or take deep dive into transparent marketplace with layered information

Tax Credits

- Small business tax credit available to employers with up to 25 FTEs and average wages of \$50,000 or less
- Employer must cover at least 50% of health care coverage costs
- Credit covers up to 50% of health care costs (phases down above 10 FTEs and \$25,000 wage)
- Lesser credit available now (35%) but not widely used according to recent GAO study
- Good hook for public education and marketing campaign leading up to 2014

Review of Prior Advisory Council Decisions

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- Market size – start at 2-50 or expand to 100?
 - Decision: maintain current 2-50 definition in 2014
- Risk pools – merge individual and small group risk pools or keep them separate?
 - Decision: have one administrative structure but keep risk pools separate
- Contracting approach – active purchaser or open marketplace?
 - Decision: allow all qualified health plans (QHPs) to participate in Exchange, with safety valve in event of extreme adverse selection

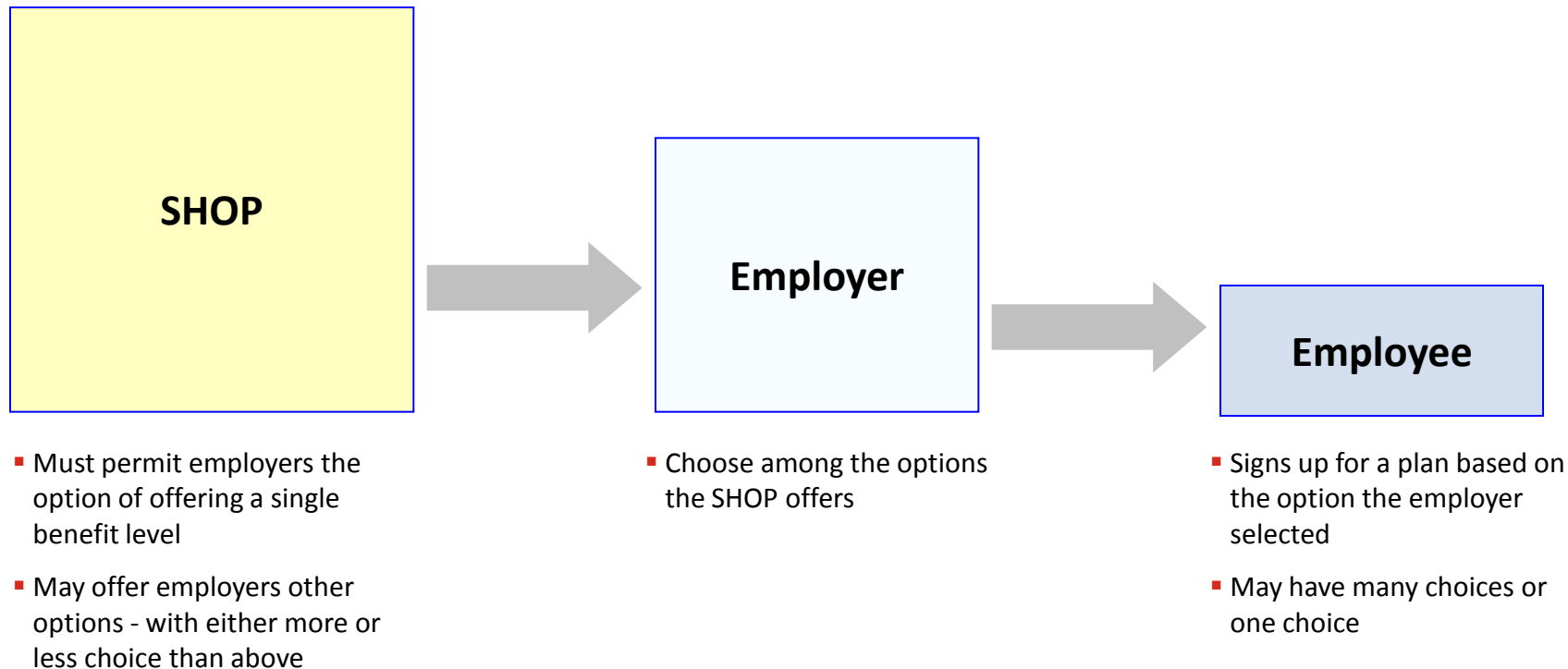
SHOP Models for Employer and Employee Choice

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- ACA requires Exchange to offer standard choice model where employer selects a coverage level (platinum, gold, silver, or bronze) and employees can choose any plan on that level
- State can supplement with second model where employer picks one plan or one carrier for all employees (often called “sole source” model)
- State can supplement with other models where employer gives employees more choice than standard choice model
- In all models, employer makes initial choice that structures choices available to employees

How Employer/Employee Choice Works

ACA mandates that the SHOP permit employers the option of offering a single benefit level (e.g., platinum, gold, silver, bronze). ACA also permits the SHOP to offer employers other options, including those that allow for more employee choice and those that allow for less employee choice.



Sole Source Model

- Exchange can supplement standard choice model with model in which employer picks one plan for all employees (most common in market today)
- Variant would allow employer to offer some employee choice within a single carrier
- Advantages are administrative simplicity, better control of adverse selection, and continuity with current market
- Disadvantages are less choice and challenge of picking plan that suits all employees

Broader Employee Choice

- Exchange can supplement standard choice model with model in which employer can offer employees even broader choices (up to all plans offered on the SHOP at all metal levels)
- Advantages are less burden on employer (still gets one bill from Exchange) and more choices for employees
- Disadvantages are administrative complexity (for Exchange), increased adverse selection, and higher prices (risk premium)

Role of Agents/Brokers

- Agents and brokers play major role in small group market today
- Generally offer package of services (HR dept for small businesses)
- Most states are looking to agents and brokers for leadership in designing their SHOPs
- SHOP can be made agent and broker friendly but it requires careful thinking about commissions and how to avoid steering